The Coca-Cola Company

Wilmington, Delaware

1969 Annual Report

THE COCA-COLA COMPANY AND SUBSIDIARIES

ANNUAL REPORT

FOR THE YEAR

1969

LETTER TO STOCKHOLDERS

March 2, 1970

In 1969 sales and earnings reached an all-time high. Both the domestic and foreign segments of our business contributed to this result.

Consolidated net sales in 1969 were $1,365,443,068 compared with $1,185,808,864 in 1968. Consolidated net profit in 1969, after reserves, taxes, and all other charges, was $121,019,702, or $2.11 per share, compared with $110,325,438, or $1.93 per share in 1968, an increase in per share earnings of 9.3%. Out of pocket losses due to the discontinued use of cyclamates amounted to $3,084,377 after income taxes, or 5¢ per share in 1969, without which consolidated net profit would have been $2.16 per share, an increase of 11.9%. The cyclamate ban is not expected to have an adverse effect on profits in 1970.

Following announcement by the Secretary of Health, Education and Welfare of the removal of cyclamates from the list of approved ingredients for general distribution in food products on October 18, the Company suspended the manufacture of syrups and concentrates for the two low-calorie beverages, Tab and Fresca. Within a week a new formulation of Fresca containing no cyclamates went on sale. The reformulation of Tab also containing no cyclamates was introduced shortly thereafter.

Highlighting 1969 activities was the introduction at our National Bottlers' Convention in October of a far-reaching design modernization program for Coca-Cola, presenting a new look for the product. This was combined with the launching of a fresh upbeat advertising campaign for Coke featuring the theme, "It's the Real Thing."

The acquisition by merger of Aqua-Chem, Inc. will be submitted for approval of our stockholders at the annual meeting on May 4, 1970, as recommended by the Board of Directors on March 2, 1970. Aqua-Chem, Inc., an important manufacturer of equipment for desalting sea and brackish water, manufactures pollution control equipment for the purification of both domestic water and industrial waste water. It also manufactures a complete line of packaged steam and hot water generators.

On March 2, the Board increased the quarterly dividend rate from 33¢ per share to 36¢ per share, payable April 1 to stockholders of record March 13—the eighth consecutive year the dividend rate has been increased.

Management plans to recommend to the Board of Directors for approval at their May meeting that the Company adopt the policy of including in consolidated net profit the entire net profit of all foreign subsidiaries in 1970 and subsequent years. For 1969 and prior years, the Company followed the policy of including in consolidated net profit the entire net profit of the Canadian subsidiaries and the net profit of other foreign subsidiaries only to the extent such profits were remitted to the Company.

It is with deep regret that we note the passing of two of our esteemed Directors during the year—Mr. Hughes Spalding on March 30 and Mr. William E. Robinson on June 6.

The consolidated balance sheet, the statement of profit and loss, and the statement of earned surplus appear later in this report. A separate mailing will contain proxy forms and notice of the annual meeting of stockholders on Monday, May 4, 1970, at 10:00 A.M., Wilmington time, at the office of the Company, 100 West Tenth Street, Wilmington, Delaware.

For the Board of Directors

Lee Talley
Chairman

J. Paul Austin
President

THE COCA-COLA COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	YEAR ENDED DECEMBER 31,	
	1969	**1968**
Net sales	**$1,365,443,068**	$1,185,808,864
Cost of goods sold	**729,993,479**	617,356,082
GROSS PROFIT	**635,449,589**	568,452,782
Selling, administrative and general expenses	**382,147,890**	343,104,133
OPERATING PROFIT	**253,301,699**	225,348,649
Other income	**17,007,961**	15,248,975
	270,309,660	240,597,624
Less other deductions	**19,267,958**	18,282,186
PROFIT BEFORE TAXES ON INCOME	**251,041,702**	222,315,438
Provision for taxes on income	**130,022,000**	111,990,000
NET PROFIT	**$ 121,019,702**	$ 110,325,438
Net profit per share of common stock	**$2.11**	$1.93

CONSOLIDATED STATEMENT OF EARNED SURPLUS

	YEAR ENDED DECEMBER 31,	
	1969	**1968**
Balance at January 1	**$ 421,387,536**	$ 377,681,794
Net profit for the year	**121,019,702**	110,325,438
	542,407,238	488,007,232
Dividends paid in cash (per share—1969, $1.32; 1968, $1.16¼)	**75,822,222**	66,619,696
BALANCE AT DECEMBER 31	**$ 466,585,016**	$ 421,387,536

See Notes to Financial Statements

THE COCA-COLA COMPANY

CONSOLIDATED

ASSETS

	DECEMBER 31, 1969	1968
CURRENT:		
Cash	**$ 70,755,932**	$ 64,817,017
U.S. Government and other marketable securities—at cost (market price—1969, $68,442,685; 1968, $81,327,931)	**69,046,659**	81,708,731
Trade accounts receivable (less allowance—1969, $1,541,364; 1968, $1,500,977)	**87,476,826**	83,203,558
Inventories	**137,342,594**	127,718,941
Prepaid expenses	**21,682,240**	13,695,674
TOTAL CURRENT ASSETS	**386,304,251**	371,143,921
MISCELLANEOUS INVESTMENTS AND OTHER ASSETS	**35,047,039**	32,056,388
PROPERTY, PLANT AND EQUIPMENT:		
At cost:		
Land and improvements	**48,698,160**	46,142,480
Buildings	**162,397,526**	141,206,878
Machinery and equipment	**345,332,860**	307,163,815
Containers	**70,881,668**	56,268,210
	627,310,214	550,781,383
Less allowance for depreciation	**230,627,335**	203,362,944
	396,682,879	347,418,439
FORMULAE, TRADE-MARKS AND GOODWILL—at cost	**52,558,423**	51,481,800
	$870,592,592	$802,100,548

See Notes to Financial Statements

AND SUBSIDIARIES

BALANCE SHEET

LIABILITIES

	DECEMBER 31, 1969	DECEMBER 31, 1968
CURRENT:		
Notes payable	**$ 13,791,028**	$ 6,849,414
Current maturities of long-term debt	**2,213,172**	2,136,154
Accounts payable and accrued accounts	**113,190,489**	110,734,259
Accrued taxes—including taxes on income	**57,388,747**	54,048,147
TOTAL CURRENT LIABILITIES	**186,583,436**	173,767,974
LONG-TERM DEBT	**19,131,889**	21,915,376
RESERVE FOR UNREMITTED FOREIGN PROFITS	**107,861,844**	101,655,814
DEFERRED INCOME TAXES	**9,925,003**	6,859,944
CAPITAL STOCK AND SURPLUS:		
Common stock—no par value; authorized 70,000,000 shares; (issued 1969, 57,579,821 shares; 1968, 57,494,415 shares)	**57,919,911**	57,835,062
Capital surplus	**25,101,233**	21,771,490
Earned surplus	**466,585,016**	421,387,536
	549,606,160	500,994,088
Less shares of stock held in treasury—at cost (1969, 80,800 shares; 1968, 108,134 shares)	**2,515,740**	3,092,648
	547,090,420	497,901,440
	$870,592,592	$802,100,548

See Notes to Financial Statements

NOTES TO 1969 FINANCIAL STATEMENTS

1. Foreign Operations. The consolidated balance sheet includes the following amounts with respect to subsidiaries and branches operating in foreign countries: Current assets, $148,408,774 (including cash and securities totaling $56,578,709); property, plant and equipment at depreciated cost, $129,089,485; other assets, $22,951,796; and liabilities, $125,556,695. Property accounts have been translated at rates of exchange prevailing at dates of acquisition and all other assets and liabilities at approximate rates of exchange prevailing at December 31, 1969.

It is the established policy of the Company to include in consolidated net profit the entire net profit of the Canadian subsidiaries, but to include the net profit of other foreign subsidiaries only to the extent such profits have been remitted to the Company. Accordingly, the other deductions account includes a provision for unremitted foreign profits in the amount of $6,206,030 ($.11 a share) and $6,398,041 ($.11 a share), representing foreign profits earned but not remitted in 1969 and 1968 respectively.

2. Inventories are stated at the lower of cost (principally average or first-in, first-out method) or market except that inventories of certain major citrus concentrate products are stated at the lower of cost (last-in, first-out method) or market.

3. Long-Term Debt (exclusive of current maturities).

Mortgages on grove properties payable in installments through 1982 (average interest rate 5½%)	$ 1,390,500
Other mortgages payable in installments through 1981 (average interest rate 6.9%)	1,426,047
Sinking Fund Debentures 5⅞%, payable in installments through January 1974	900,000
Subordinated Debentures 5⅝%, payable in installments through January 1976	1,700,000
Unsecured notes, principally of various foreign affiliates, payable in annual installments through 1976 (average interest rate 7.3%)	13,715,342
	$19,131,889

4. Stock Options. Options are held by officers and employees of the Company and its subsidiaries to purchase shares of the Company's common stock at prices ranging principally from $17.53125 to $74.75 per share. Further information relating to the options is as follows: Options outstanding at January 1, 1969, 545,923 shares; options granted during the year, 74,710 shares; options exercised during the year, 99,560 shares; options cancelled during the year through death, retirement or resignation, 7,561 shares; options outstanding at December 31, 1969, 513,512 shares; options exercisable at December 31, 1969, 250,332 shares; shares available for options which may be granted, 202,471.

5. Pension Plans. The Company and its subsidiaries have various pension plans covering substantially all employees, including certain employees in foreign countries. Pension expense determined under various actuarial cost methods, principally aggregate level cost method, amounted to $7,692,983 in 1969 and $6,918,483 in 1968. In general, pension costs are funded when accrued.

6. Depreciation. Provision for depreciation in the amount of $41,865,484 in 1969 and $39,379,767 in 1968 was charged to manufacturing and other expenses. Approximately 60% of the amount for each year was determined by the straight-line method and the remainder by the declining-balance method.

Notes to Financial Statements (continued)

7. Changes in Capital during 1968 and 1969 are as follows:

	Common Stock Issued		Capital
	Shares	Amount	Surplus
Balance January 1, 1968	57,363,948	$57,706,148	$15,861,757
Previously unissued shares sold to employees exercising stock options	130,467	128,914	2,920,223
Proceeds in excess of cost of 6,910 shares of treasury stock sold to employees exercising stock options	0	0	36,750
Excess of market price over cost of 64,368 shares of treasury stock issued for capital stock of Coca-Cola Bottling Co. of San Jose	0	0	2,952,760
Balance December 31, 1968	57,494,415	57,835,062	21,771,490
Previously unissued shares sold to employees exercising stock options	85,476	86,331	2,533,198
Proceeds in excess of cost of 14,084 shares of treasury stock sold to employees exercising stock options	0	0	43,858
Excess of market price over cost of 13,250 shares of treasury stock issued for capital stock of Belmont Springs Water Co., Inc.	0	0	752,687
Other	(70)	(1,482)	0
Balance December 31, 1969	57,579,821	$57,919,911	$25,101,233

8. Proposed Acquisition. Managements of the Company and Aqua-Chem, Inc. have agreed in principle to a proposal whereby The Coca-Cola Company would issue approximately 1,754,000 shares of common stock for all of the outstanding common stock of Aqua-Chem, Inc., a manufacturer of packaged steam generators, water pollution control equipment and equipment for desalting sea water. This acquisition is subject to the approval of the board of directors and stockholders of The Coca-Cola Company and Aqua-Chem, Inc.

ACCOUNTANTS' REPORT

To the Board of Directors
The Coca-Cola Company
Wilmington, Delaware

We have examined the consolidated financial statements of The Coca-Cola Company and subsidiaries as of December 31, 1969. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of profit and loss and earned surplus present fairly the consolidated financial position of The Coca-Cola Company and subsidiaries at December 31, 1969, and the consolidated results of their operations and changes in capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ernst & Ernst

Atlanta, Georgia
February 28, 1970

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Trust Company of Georgia
Atlanta, Georgia

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